

## EXTENSIONS OF REMARKS

## THE NEW MEDICARE

HON. VERNON J. EHLERS

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Monday, October 30, 1995*

Mr. EHLERS. Mr. Speaker, after months of debate and thousands of meetings across the country, the House passed the Medicare Preservation Act [MPA] on October 19. Crafting the legislation, which generated strong feelings on all sides of the issue, was by no means an easy task. I am pleased with the hard work and sincere effort that was put forth by many people in developing a better Medicare system.

Reforming Medicare is an urgent matter that must be addressed. Because of the complexity of the issue and its widespread effect on our Nation, it is important to understand why the system needs to be reformed and what our reform proposal involves. In April the board of trustees of the Social Security funds reported that the Medicare part A trust fund, which pays for hospital-related services, will be bankrupt in 7 years. The part B trust fund, which pays for outpatient services, is not in danger of bankruptcy, because almost 70 percent of part B premiums is paid by the Federal Government, and the rest is paid by beneficiaries who choose this coverage. In 1996, for the first time since its creation, the part A trust fund will be paying out more in benefits than it collects in taxes. Why? Mainly because the costs of providing Medicare benefits have grown at more than double the growth of private-sector health care costs. If we fail to address this problem and control its excessive costs, Medicare will collapse. It is critical, therefore, that we make reforms to save Medicare because there are thousands of beneficiaries who depend on it. Medicare has served us well for 30 years, but its failure to incorporate private-sector innovations and to end waste, inefficiency, and fraud requires us to develop a better system.

The MPA will expand the types of coverage Medicare offers:

One, current Medicare coverage: A beneficiary can choose to continue the same Medicare coverage they have now. If they choose to do this, their copayments and deductibles will not be increased. They will also continue to pay the same percentage of part B premiums, 31.5 percent, with the Government paying the remainder of the premium.

Two, MedicarePlus: A beneficiary is given choices from a new category of coverage, MedicarePlus. This option will allow beneficiaries to choose the same types of health coverage available in the private sector, such as HMO's and other types of coordinated care, instead of traditional Medicare coverage. These plans will likely offer full health care coverage to beneficiaries, perhaps eliminating the need to purchase costly supplementary insurance plans. These plans might also involve coverage of additional services, such as prescription drugs and eye care, in exchange for

a more limited choice of health care providers. Beneficiaries would get detailed information in the mail each year about types of plans available in their area.

Three, medical savings accounts: Beneficiaries could also choose coverage through a medical savings account [MSA]. This option would require beneficiaries to choose a high-deductible insurance policy paid by Medicare. The savings achieved through this policy will be placed in an individual MSA, which will be used to pay for health care expenses within the deductible, or to purchase long-term care insurance.

The reforms don't stop there. The new Medicare Program will also make significant reforms in payments for doctors, hospitals, and other health care providers, in order to control costs. Government-funded Medicare coverage for the wealthy will be phased out, starting with couples with incomes above \$125,000 and individuals with incomes above \$75,000. A special commission will be created to study the effects of the retirement of the large baby boom generation, when there will be only two workers to support every retiree. Mechanisms to detect fraud and abuse will be strengthened, and beneficiaries who detect any wrongdoing in their bills will be rewarded. Finally, the plan will install a failsafe mechanism to monitor the reforms and ensure that they are achieving the savings necessary to protect the system.

Unfortunately, during the long debate about the MPA some groups and individuals generated misinformation about the proposal. It is important to understand that these reforms were not introduced in order to offset tax cuts or balance the budget. If these reforms are not adopted, the system will simply collapse. This is not a quick fix; these changes are needed to protect and preserve the long-term health of the system.

As is the case with any change, glitches may occur as the plan is implemented. While it would be ideal if the reforms were perfect, it is likely some may need correction. Therefore Congress will monitor the implementation process and correct any mistakes that may occur.

Now that the House has given its approval, the MPA has been incorporated into a larger budget package. It will now move on to the Senate before it is sent to the President for his signature.

## EGYPT'S ECONOMIC BIND

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Monday, October 30, 1995*

Mr. HAMILTON. Mr. Speaker, I would like to bring to the attention of my colleagues a recent World Bank study which highlights the economies of the Middle East in general and Egypt as a leader in that region in particular.

The study entitled "Claiming the Future" was the subject of an October 18, 1995 edi-

torial by Thomas Friedman in the New York Times. Mr. Friedman summarizes portions of the World Bank study which show that in 1960 the Middle East had a per capita income higher than Asia, but in 1990, even with oil wealth, the Middle East per-capita income had only doubled while that of Asia had more than quadrupled. Economic reform, privatization, and development have eluded the Middle East to a larger extent.

These problems are acute in Egypt. The need for economic restructuring is enormous. Egypt and the entire Middle East region will need to focus on economic issues if the region is to catch up with the rest of the world. Egypt and the Middle East need economic reform if they are to generate jobs for the burgeoning youth population now entering the job market.

The excellent New York Times editorial follows:

[From the New York Times, Oct. 18, 1995]

## EGYPT RUNS FOR THE TRAIN

(By Thomas L. Friedman)

John Page, the World Bank's chief Middle East economist, likes to say that the difference between the global economy of the 1950's and the 1990's is the difference between two trains. The global economy of the 1950's he says, "was like the old train from Heliopolis [a Cairo suburb] to Cairo. That train stopped at every station, and if you missed one, you could always catch another. It was so slow that if you missed the last one, you could ride your bike and catch up at the next station. If you couldn't afford a ticket, you could always ride on the roof. The global economy of the 1990's by contrast is like the bullet train from Tokyo to Osaka. If you miss it it's gone—goodbye—and you can't catch up."

That's a useful image to keep in mind when visiting Cairo these days because the Arab world in general, and Egypt in particular, is in real danger of missing the train, and the consequences could be catastrophic.

Consider some startling statistics from a new World Bank study of Middle East economies entitled "Claiming the Future," which will be released next month. In 1960, the seven leading Arab economies had an average per-capita income of \$1,521, while the seven East Asian "tigers"—Taiwan, South Korea, Hong Kong, Singapore, Thailand, Malaysia and Indonesia—had a per capita income of only \$1,456. The Arabs were slightly ahead. By 1991, however, the per-capita income of the Arab countries was only \$3,342, while the Asian tigers were up to 58,000 per person.

Today the Arab Middle East attracts 3 percent of global foreign investment, while East Asia attracts 58 percent. Egypt exported and imported more goods and services 20 years ago than it does today, relative to the size of its economy. In other words, Egypt was more integrated with the world economy in 1970, under Gamal Abdel Nasser, than in 1990, under Hosni Mubarak. The Arab world lags far behind East Asia in spending on education, in the number of women in the work force and in every measure of productivity.

Why the difference? One explanation is that in East Asia leaders usually based their political appeal on economics—"Have I made you better off today than four years ago?"—

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